

Message Text

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11
ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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TAGS: ETRD, GATT, YO
SUBJ: GATT: BALANCE OF PAYMENTS COMMITTEE, CONSULTATION
WITH YUGOSLAVIA

REF: STATE 279362

SUMMARY: IMF REP MADE CLEAR THAT YUGOSLAV BOP IMPROVED
AND THAT YUGOSLAVIA SHOULD RESUME IMPORT LIBERALIZATION
PROGRAM. YUGOSLAVIA CONTENDED IMPROVEMENT NOT YET OF A
DURABLE NATURE, BUT COMMITTEE SHARED IMF VIEW AND INVITED
YUGOSLAVIA TO RELAX AND REMOVE MEASURES AT EARLIEST APPRO-
PRIATE TIME. END SUMMARY.

1. GATT BALANCE OF PAYMENTS COMMITTEE MET NOVEMBER 16
AND 19 TO CONSIDER YUGOSLAVIA'S RESTRICTIONS. IMF REP
OBSERVED THAT YUGOSLAV BOP SHOWED A SHARP IMPROVEMENT
STARTING IN MID-1975 AND THAT IN AUGUST 1976 RESERVES
STOOD AT RECORD LEVEL OF SDR 1,623 MILLION AND CONCLUDED
THAT "IN VIEW OF THE STRONG RECOVERY OF THE YUGOSLAV
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BALANCE OF PAYMENTS AND THE LIKELIHOOD OF SUSTAINED

DEMAND FOR YUGOSLAV EXPORTS, THE FUND BELIEVES THAT PROGRAM OF IMPORT LIBERALIZATION, INTERRUPTED IN MID-1974, SHOULD BE RESUMED". YUGOSLAVIA ENDEAVORED TO SHOW THAT RECENT IMPROVEMENTS WERE NOT YET OF A DURABLE CHARACTER AND THAT TOURISM RECEIPTS AND REMITTANCES OF FOREIGN WORKERS, WHICH COVERED TRADE DEFICIT, MUST BE CONSIDERED UNSTABLE SOURCES. IMF REP HAD TO INTERVENE AT CONCLUSION OF MEETING TO REMIND COMMITTEE THAT IMPROVEMENT HAD BEEN UNDERWAY FOR 18 MONTHS, THAT IMF ESTIMATES DEMAND WILL BE STRONG IN YUGOSLAVIA IN THE IMMEDIATE FUTURE AND THAT INFLOW FROM TOURISM AND WORKERS REMITTANCES HAD INCREASED EVEN DURING PERIOD OF WORLD-WIDE RECESSION.

2. ON EXACT SIZE OF RESERVES YUGOSLAVIA SAID THAT FIGURE OF DOLS 2.5 BILLION INCLUDED FOREIGN EXCHANGE HELD BY THE COMMERCIAL BANKS WHEREAS FIGURE OF SDR 1.66 BILLION CITED BY IMF WAS BASED ON OFFICIAL YUGOSLAV STATISTICS AND INCLUDED ONLY RESERVES HELD BY THE CENTRAL BANK.

3. REGARDING AVOIDING RENEWED BOP PROBLEMS, IMPROVING INSTRUMENTS TO CONTROL ECONOMY AND LOWERING HIGH INVESTMENT RATE, YUGOSLAVIA SAID THEY CONTINUOUSLY AWARE REQUIREMENT FIND APPROPRIATE BALANCE BETWEEN NEED FOR FULL CAPACITY UTILIZATION AND BOP CONSTRAINTS. YUGOSLAVIA ALSO NOTED NEW REQUIREMENTS THAT FINANCING OF EACH INVESTMENT MUST BE SECURED BEFORE BEING UNDERTAKEN AND THAT PAYMENT FOR PURCHASES NOT COVERED BY A BANK CREDIT MUST BE MADE WITHIN 15 DAYS. YUGOSLAVIA SAID IT ALREADY AWARE OF ADVANTAGES OF PUTTING MORE EMPHASIS ON LABOR INTENSIVE RATHER THAN CAPITAL INTENSIVE INVESTMENTS BUT NOTED SOME LABOR INTENSIVE INDUSTRIES SUCH AS TEXTILES FACED TRADE RESTRICTIONS IN OTHER COUNTRIES WHICH LIMITED THEIR EXPORT POTENTIAL.

4. YUGOSLAVIA ACKNOWLEDGED THAT EXTERNAL DEBT HAS INCREASED TO SDR 6,035 BILLION IN MID-1976, BUT STRESSED THAT DEBT SERVICE REPRESENTED ONLY 19 PERCENT OF CONVERTIBLE CURRENCIES RECEIPTS IN MID-1976 COMPARED TO 23.3 PERCENT AT END OF 1973.

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5. U.S., CANADA, AND EC ALL WELCOMED ABOLITION OF BILATERAL PAYMENTS ARRANGEMENTS. YUGOSLAV REP SAID ONLY NINE AGREEMENTS REMAINED AND THESE ONLY BECAUSE TRADING PARTNERS WANT TO KEEP THEM. LATER YUGOSLAVS HOWEVER REQUESTED REPORT SAY ONLY THAT YUGOSLAVIA IN FAVOR OF MULTILATERAL SYSTEM OF PAYMENTS. YUGOSLAVIA NOTED BARTER ARRANGEMENTS ONLY REPRESENT ONE PER CENT

OF IMPORTS IN 1975.

6. ON REMOVAL OF SURCHARGES YUGOSLAV REP WOULD ONLY SAY THAT SURCHARGES STILL CONSIDERED TEMPORARY AND NOTED THAT OTHERS ALSO HAVE TEMPORARY MEASURES SUCH AS EC WITH REGARD TO MEAT. EC CALLED FOR YUGOSLAVIA TO SIMPLIFY IMPORT SYSTEM; YUGOSLAVIA SAID NEW CUSTOMS LAW WOULD FACILITATE SIMPLIFICATIONS BY PROVIDING CLEAR LEGAL FRAMEWORK FOR IT.

7. REGARDING MAY 31, 1975 FEDERAL EXECUTIVE COUNCIL DECREE REQUIRING LINKING EXPORT-IMPORT ARRANGEMENTS UNDER AUSPICES OF YUGOSLAV CHAMBER OF ECONOMY, YUGOSLAVS FIRST CONTENDED THERE WAS NO REGULATION LINKING IMPORTS TO EXPORTS, BUT UPON FURTHER QUESTIONING SAID THERE DID EXIST REGULATIONS ENSURING THAT FIRMS DID NOT CONTRACT FOR GOODS FOR WHICH NO FOREIGN EXCHANGE AVAILABLE. THEY ADDED THAT REGULATION DID NOT FORCE FIRMS TO MAKE LINKAGE, BUT FIRMS HAD INCENTIVE TO DO SO BECAUSE OF REGULATIONS PERMITTING THEM TO RETAIN A PORTION OF THE FOREIGN EXCHANGE THEY EARNED FROM EXPORTS TO PAY FOR IMPORTS.

8. IN CONCLUSION OF REPORT COMMITTEE WELCOMED IMPROVEMENTS IN YUGOSLAV BOP AND RESERVES, SHARED BELIEF OF IMF THAT IMPORT LIBERALIZATION PROGRAM SHOULD BE RESUMED AND INVITED YUGOSLAV AUTHORITIES TO CONSIDER AT EARLIEST APPROPRIATE TIME RELAXATION AND EVENTUAL REMOVAL OF THE IMPORT SURCHARGE. COMMITTEE ALSO EXPRESSED HOPE YUGOSLAV AUTHORITIES WILL ADOPT POLICIES TO AVOID RENEWED BOP DIFFICULTIES AND WILL CONSIDER FURTHER SIMPLIFICATION OF IMPORT CONTROL SYSTEM.

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